

## MEMORANDUM

**To:** School Superintendents, Directors of Special Education, and Business Managers

**From:** Marybeth Flachbart, Chief, Bureau of Special Populations Services  
Lester Wyer, Grants/Contracts Officer

**Date:** April 3, 2006

**Subject:** State Special Education Funding Estimates and Information for 2006-07

This memorandum provides information about supplemental state funding that is available to assist in serving special education students in exceptional circumstances as well as maintenance of effort requirements. This information is being provided to assist you in preparing your budgets for 2006-07.

### **Special Education Pupil Tuition Equivalency Allowance**

Special education tuition equivalency funds are state funds that reimburse districts for some of the additional costs of educating special education students who reside in licensed public or private residential facilities or homes and whose parents are not residents of the district. In accordance with Idaho Code 33-1002B, the tuition equivalency allowance is equal to the district's previous year's certified local tuition rate plus an annually determined excess cost factor for special education students.

#### **Eligible Students**

For a student to be eligible for this allowance for the 2006-07 year, each of the following must be true:

1. The district must be educating the student and must report the student on its December 1, 2006 Special Education Child Count.\* The student's individualized educational program (IEP) must specify three or more hours per day of special education and related services.
2. The student must be residing in a licensed group home, intermediate care facility for the mentally retarded (ICF-MR), state institution, personal care services home, children's treatment facility or specialized foster care on December 1, 2006.\*
3. The student's parents must be residing in another Idaho school district on December 1, 2006.\*

\*Students eligible for the allowance on December 1 will receive the full annual amount.

**Amount of Allowance**

The amount of the allowance equals the prior year's certified local annual tuition rate per student plus the prior year's statewide average excess cost rate per student. Payments will be based on the 2005-06 tuition rates and excess cost rate. The Special Education Tuition Equivalency spreadsheet lists estimated Tuition Equivalency rates based on 2004-05 data, the most recent available.

**Application and Payment Time Lines**

Information and application forms for Tuition Equivalency will be posted on the Department of Education website in the fall of 2006 at <http://www.sde.state.id.us/SpecialEd/stateandfederal/>. Completed applications are due January 10, 2007. The allowance will be included in each eligible district's apportionment payments beginning in February 2007.

**District to Agency Contracts**

These contracts are utilized for the provision of services to special education students the district is otherwise unable to serve. In accordance with paragraph 2 of Idaho Code 33-2004, these contracts generate state funds that are allocated to the district for a student's average daily attendance in a contracted facility. The funds generated are comparable to what a student would generate if he or she were served in the district and usually do not reimburse a district for the full amount of the contract.

School districts are only permitted to enter into district to agency contracts with agencies that have State Department of Education approved special education programs. Before entering into contractual arrangements, a district needs to contact the Bureau of Special Education to ensure that the agency under consideration is SDE approved.

District to agency contracts cannot be used to contract for related services, such as speech/language, occupational, or physical therapy services, in isolation of other educational services. Locally developed service agreements should be used for the purchase of related services.

**Attendance Reporting in Lieu of Contracting**

Districts have the option of reporting attendance for contracted students as part of the attendance for a school building. If so, staff allocation and unit funds will be generated in lieu of district to agency funds. The district is still required to contract with an approved agency.

**Approved District to Agency Contract Form**

If a district utilizes the contract option, the district must use an approved contract form, which can be obtained from the Bureau of Special Education on request. This contract, which details the services to be provided, must be completed between the district and agency. An example of an approved District to Agency Contract is posted on the SDE website at <http://www.sde.state.id.us/SpecialEd/stateandfederal/>. It is not necessary to return a copy of this contract to the State Department of Education.

### **Intent to Contract Form**

In order to receive funds for district to agency contracts, the district must complete a District to Agency Intent to Contract Form. This form will be posted on the Department of Education website at <http://www.sde.state.id.us/SpecialEd/stateandfederal/> in the fall of 2006 and should be returned to the Special Education Bureau by October 15, 2006. Once the form is returned to the SDE, we will check to be sure that the facility has an approved special education program. On this form the district indicates whether attendance will be reported as part of another school building (generates staff allocation and unit funds) or under a separate building (generates district to agency funds). The Intent to Contract Form is then submitted to Public School Finance to set up a building number, if necessary, and begin the collection of attendance information.

### **Contract Reimbursement Rate from State General Funds**

The district to agency contract reimbursement rate paid from state funds will be calculated for each school district using the following formula:

$$\begin{array}{rclcl} \text{2005-06} & & \text{2005-06} & & \text{2005-06} & & \text{2006-07} \\ \text{District} & & \text{District} & & \text{District Best 28} & & \text{District to Agency Contract} \\ \text{Educational} & + & \text{Benefit} & / & \text{Weeks Average} & = & \text{Reimbursement Rate from} \\ \text{Allowance} & & \text{Apportionment} & & \text{Daily Attendance} & & \text{State General Funds} \end{array}$$

The contract reimbursement rate that will be in effect for each school district for the 2006-07 school year will be based on 2005-06 actual data. This rate is for full time (100%) attendance and will be prorated by actual attendance. A copy of estimated 2006-07 contract reimbursement rates, based on 2004-2005 data, is found on the 2005-2006 District to Agency Per Pupil Rate spreadsheet.

### **Reimbursement Time Lines**

District to agency contract funds for 2006-07 will be disbursed through the exceptional child portion of each district's apportionment payment beginning in February 2007.

### **SED Allowance**

Idaho Code 33-2005 provides for an additional disbursement to school districts that identify and provide appropriate services to students with serious emotional disturbances (SED) at a high incidence level. An average incidence level will be the statewide average percentage of students enrolled in public schools who are identified as emotionally disturbed. In 2006-07, districts and charter schools will receive the 2005-06 excess cost rate for each SED student served beyond the statewide average in 2005-06 as follows:

$$\begin{array}{rclcl} \text{Number of SED Students} & & \text{2005-06 Per Pupil} & & \text{Total} \\ \text{Reported on Dec. 1, 2005} & \times & \text{Statewide Average} & = & \text{Additional} \\ \text{Beyond the Statewide} & & \text{Excess Cost Rate} & & \text{Disbursement} \\ \text{Average Incidence Rate} & & \text{(estimate = \$6,124)} & & \end{array}$$

For budget purposes we are estimating the excess cost rate at \$6,124. The Estimated Excess Cost Disbursement for SED Students spreadsheet estimates the additional disbursement, if any, that districts will receive for SED students in 2006-07. These funds are subject to random eligibility and IEP checks.

### **Maintenance of Effort Requirements**

With the reauthorization of IDEA passed by Congress in December of 2004, there were some changes to the language of the maintenance of effort requirement. However, the new law still says that a LEA shall not use Part B funds *to reduce the level of expenditures for the education of children with disabilities made by the local educational agency from local funds below the level of those expenditures for the preceding fiscal year*. In other words, IDEA still requires LEAs to budget and then expend at least as much state and local money for special education and related services in a fiscal year as it expended in the prior fiscal year for the same purpose. These funds are reported in the Idaho Financial and Records Management System (IFARMS) under the Maintenance and Operations (M&O) function/program codes 521: Exceptional Child, 522: Preschool; and 616: Special Services. The requirement can be met on an aggregate or per child basis.

IDEA still permits LEAs to reduce state and local expenditures below expenditure levels from the prior year for exceptional circumstances, which include:

1. Voluntary departure (by retirement or otherwise) or departure for just cause of special education or related services personnel. Departures must conform with state law, school board policies and collective bargaining agreements in effect at the time.
2. A decrease in the enrollment of children with disabilities.
3. The termination of the district's obligation to provide an exceptionally costly (as determined by the SDE) special education program to a particular child because the child moves to another district, graduates, completes the semester in which he or she turns 21, or no longer needs the costly program.
4. Termination of costly expenditures for capital outlay.

The above are the only exceptions allowed for the reduction of state and local expenditures by an LEA. As you begin your budgeting processes pay particular attention to the maintenance of effort requirements. The State Department is required to monitor these requirements carefully and has little, if any, flexibility in making other allowances to LEAs. There is, however, new language in IDEA concerning "adjustments to local fiscal effort." This new language again deals with increases in the amount an LEA receives under Part B from one year to the next and an LEA's authority to reduce expenditures based on 50% of those increases. This provision may provide some degree of maintenance of effort relief for school districts. We will be sending another, more detailed, memo regarding all of the maintenance of effort provisions in the new law as soon as we have all the interpretations and final regulations from the U.S. Department of Education.

If you have further questions about the contents of this memorandum please contact Lester Wyer at 332-6916.